# FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: February 27, 2017

Agency Submitting: Department of Employment, Training and Rehabilitation

| Items of Revenue or Expense, or Both | Fiscal Year<br>2016-17 | Fiscal Year<br>2017-18 | Fiscal Year<br>2018-19 | Effect on Future<br>Biennia |
|--------------------------------------|------------------------|------------------------|------------------------|-----------------------------|
| UI Trust Fund (Revenue)              |                        | \$4,200,000            | \$11,400,000           | \$101,500,000               |
| Set Aside Funds (Revenue)            |                        |                        | (\$56,718)             | (\$1,172,183)               |
| UI Contributions (Revenue)           |                        | \$5,700,000            | \$17,400,000           | \$157,300,000               |
| Client Wages (Expense)               |                        |                        | \$80,375               | \$1,205,625                 |
| UI Benefits (Expense)                |                        | \$2,200,000            | \$8,100,000            | \$104,300,000               |
| Total                                | 0                      | \$7,700,000            | \$20,562,907           | \$152,122,192               |

## **Explanation**

(Use Additional Sheets of Attachments, if required)

The Department calculates several impacts. The Bureau of Vocational Rehabilitation and Bureau of Services to the Blind and Visually Impaired provide community based assessment/work experience programs wherein the Bureaus pay minimum wage salaries for clients while they are working in the program. Furthermore, this initiative would impact Unemployment Insurance (UI) Benefits and Contributions. The changes in wages are calculated and applied to the existing UI forecasting model to determine the future impact on UI Benefits Payments, UI Contributions. Finally, a reduction to the set aside in the Blind Business Enterprise of Nevada (BEN) program is anticipated due to payroll increases at sites that employ individuals at minimum wage. Set aside is a percentage of the profits. The Department then factored the percentage that each specific BEN operator pays, to arrive at the amount of set aside that would not be paid due to increased payroll costs.

In addition to calculated impacts, there are other impacts that cannot be determined at this time for the Rehabilitation Division. The cost of operating a business will increase, so we would fully expect that we would lose some service providers, and that we would have to renegotiate fee schedules for our existing service providers at an increased rate to make up for the increased cost of doing business. The impact for an increase in client service expenditures for receiving the same services cannot be determined at this time; however the impact would be fairly substantial as around \$7 million is expended towards client services each year.

|  | Name  | Heather Bugg              |
|--|-------|---------------------------|
|  | Title | Management Analyst III    |
| GOVERNOR'S OFFICE OF FINANCE COMMENTS  The agency's response appears reasonable. | Date  | Monday, February 27, 2017 |
|  | Name  | Susan Brown               |
|  | Title | Executive Budget Officer  |

#### DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: BDR 53-866 AB175

Name of Agency: Department of Employment, Training, and Rehabiltation

Division/Department: Rehabilitation

Date: 2/15/2017

|               |                              | Fisca           | al Year | Fisc | al Year | Fiscal Year           | Fiscal Year      | Fiscal Year      | Fiscal Year      | Fiscal Year      | Fiscal Year      | Effect on Future Biennia |
|---------------|------------------------------|-----------------|---------|------|---------|-----------------------|------------------|------------------|------------------|------------------|------------------|--------------------------|
| Category Type | Description                  | 20 <sup>-</sup> | 15-16   | 20   | 016-17  | 2017-18               | 2018-19          | 2019-20          | 2020-21          | 2021-22          | 2022-23          | (Fiscal Year 2019-23)    |
| Revenue       | UI Trust Fund                | \$              | -       | \$   | -       | \$<br>4,200,000.00 \$ | 11,400,000.00 \$ | 16,900,000.00 \$ | 22,400,000.00 \$ | 24,300,000.00 \$ | 26,500,000.00 \$ | 101,500,000.00           |
| Revenue       | Reduction to Set Aside Funds | \$              | -       | \$   | -       | \$<br>- \$            | (56,718.00) \$   | (151,250.00) \$  | (245,780.00) \$  | (340,311.00) \$  | (378,124.00) \$  | (1,172,183.00)           |
| Revenue       | UI Contributions             | \$              | -       | \$   | -       | \$<br>5,700,000.00 \$ | 17,400,000.00 \$ | 25,500,000.00 \$ | 34,500,000.00 \$ | 38,300,000.00 \$ | 41,600,000.00 \$ | 157,300,000.00           |
| Expense       | Client Wages                 | \$              | -       | \$   | -       | \$<br>- \$            | 80,375.00 \$     | 160,750.00 \$    | 241,125.00 \$    | 321,500.00 \$    | 401,875.00 \$    | 1,205,625.00             |
| Expense       | UI Benefit                   | \$              | -       | \$   | -       | \$<br>2,200,000.00 \$ | 8,100,000.00 \$  | 13,600,000.00 \$ | 21,000,000.00 \$ | 28,000,000.00 \$ | 33,600,000.00 \$ | 104,300,000.00           |
| Totals        |                              | \$              | -       | \$   | -       | \$<br>7,700,000.00 \$ | 20,562,907.00 \$ | 28,488,000.00 \$ | 35,413,095.00 \$ | 33,938,189.00 \$ | 33,720,001.00 \$ | 152,122,192.00           |

#### Organizational Input

The Department calculates several impacts. The Bureau of Vocational Rehabilitation and Bureau of Services to the Blind and Visually Impaired provide community based assessment/work experience programs wherein the Bureaus pay minimum wage salaries for clients while they are working in the program. Furthermore, this initiative would impact Unemployment Insurance (UI) Benefits and Contributions. The changes in wages are calculated and applied to the existing UI forecasting model to determine the future impact on UI Benefits Payments, UI Contributions. Finally, a reduction to the set aside in the Blind Business Enterprise of Nevada (BEN) program is anticipated due to payroll increases at sites that employ individuals at minimum wage. Set aside is a percentage of the profits. The Department then factored the percentage that each specific BEN operator pays, to arrive at the amount of set aside that would not be paid due to increased payroll costs.

In addition to calculated impacts, there are other impacts that cannot be determined at this time for the Rehabilitation Division. The cost of operating a business will increase, so we would fully expect that we would lose some service providers, and that we would have to renegotiate fee schedules for our existing service providers at an increased rate to make up for the increased cost of doing business. The impact for an increase in client service expenditures for receiving the same services cannot be determined at this time; however the impact would be fairly substantial as around \$7 million is expended towards client services each year.



### OFFICE OF THE DIRECTOR

# **MEMORANDUM**

**Date:** February 15, 2017

To: Cheryl Harvey, Management Assistant

**LCB Fiscal Analysis Division** 

From: Don Soderberg, Director

Department of Employment, Training, and Rehabilitation

**SUBJECT:** AB175 Response

We have performed an analysis of the proposed legislation AB175, and our information shows that as of 2016 there were over 528,400 Nevada workers earning a mean wage of \$15.00 per hour or less. Table 1 below shows the number of Nevadans earning wages below each \$1.25 threshold from \$9.50 per hour to \$15.00 per hour, as of 2016.

Table 1. Number of Workers Earning Less Than A Certain Wage, 2016 Employment Values

| Wage     | Number of Workers, 2016 |  |  |  |  |  |
|----------|-------------------------|--|--|--|--|--|
| \$ 9.50  | 184,400                 |  |  |  |  |  |
| \$ 10.75 | 273,394                 |  |  |  |  |  |
| \$ 12.00 | 356,519                 |  |  |  |  |  |
| \$ 13.25 | 434,054                 |  |  |  |  |  |
| \$ 14.50 | 502,080                 |  |  |  |  |  |
| \$ 15.00 | 528,403                 |  |  |  |  |  |

Taking into account occupational growth rates from our latest estimates, and ignoring any potential negative employment impact, the number of workers under each proposed wage threshold over the life of the bill would be as shown in Table 2.

Table 2. Number of Workers Earning Less Than a Certain Wage, Projected Employment Values

| Wage     | Year | Number of Workers |
|----------|------|-------------------|
| \$ 9.50  | 2018 | 192,906           |
| \$ 10.75 | 2019 | 286,226           |
| \$ 12.00 | 2020 | 373,270           |
| \$ 13.25 | 2021 | 454,400           |
| \$ 14.50 | 2022 | 525,533           |
| \$ 15.00 | 2023 | 553,030           |

Additionally, we have analyzed the potential impact of AB175 on the UI Trust Fund. Currently, approximately \$300 million in benefits are paid each year, while contributions paid total approximately \$560 million and the Trust Fund balance is \$750 million. Assuming a constant UI contribution rate at the current level of 1.95%, our estimated impacts are presented for each fiscal year in Table 3 below. Note that these estimates are presented as ranges due to uncertainty regarding the legislation's potential negative impacts on employment levels.

Table 3. Estimated Impact of AB175 on UI Trust Fund

|                   | Estimated Changes To: |               |               |  |  |  |  |  |
|-------------------|-----------------------|---------------|---------------|--|--|--|--|--|
| Year              | Benefit Payments      | Contributions | Trust Fund    |  |  |  |  |  |
| 1 cai             | (millions \$)         | (millions \$) | (millions \$) |  |  |  |  |  |
| 2018              | 1.5 - 2.2             | 4.9 - 5.7     | 2.7 - 4.2     |  |  |  |  |  |
| 2019              | 6.2 - 8.1             | 14.9 - 17.4   | 6.9 – 11.4    |  |  |  |  |  |
| 2020              | 9.1 – 13.6            | 21.4 - 25.5   | 8.0 – 16.9    |  |  |  |  |  |
| 2021              | 13.1 – 21.0           | 28.0 - 34.5   | 7.5 - 22.4    |  |  |  |  |  |
| 2022              | 15.5 - 28.0           | 30.2 - 38.3   | 2.7 – 24.3    |  |  |  |  |  |
| 2023              | 17.1 – 33.6           | 34.5 - 41.6   | 1.5 - 26.5    |  |  |  |  |  |
| 2018 - 2023 Total | 62.4 - 106.5          | 133.9 – 163.0 | 29.5 – 105.8  |  |  |  |  |  |

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: BDR 53-866

Name of Agency: Department of Employment, Training, and Rehabilitation

Division/Department; Rehabilitation

Date: 2/14/2017

Current Minimum 8.25

| Total Payroll by location                                     |                           |                           |                            |  |                          |   |                               |                            |                             |                             |
|---|---------------------------|---------------------------|----------------------------|--|--------------------------|---|-------------------------------|----------------------------|-----------------------------|-----------------------------|
|   |                           |                           | Projected Wage Total on M  | onthly Basis (SB106)                   |                          | Differences Annually                      |                               |                            | Reduction in Set Aside      |                             |
|   | Average<br>Monthly Number | er of hrs                 |                            |  |                          |   |                               | rrent<br>Aside             |                             |                             |
| October November December                                     | Wages at \$10/            |                           | 2019 2020                  | 2021 2022 2023                         | 2018 2019                | 2020 2021 2022                            | 2023 Difference %             | 2018 2019                  | 2020 2021                   | 2022 2023                   |
|   |                           | \$ 9.50 \$                | 10.75 \$ 12.00 \$          | 13.25 \$ 14.50 \$ 15.00                |                          |   |                               |                            |                             |                             |
| Hoover Dam Café \$ 98,738.00 \$ 85,988.00 \$ 86,421.0         |                           | 9038.23 \$ 90,382.33 \$   | 97,161.01 \$ 108,458.80 \$ | 119,756.59 \$ 131,054.38 \$ 135,573.50 | \$ 0.00 \$ 81,344.10 \$  | \$ 216,917.60 \$ 352,491.10 \$ 488,064.60 | \$ 542,294.00 \$ 1,681,111.40 |                            |                             | \$ 244,032.30 \$ 271,147.00 |
| Sahara DMV Snack Bar \$ 6,484.00 \$ 5,355.00 \$ 3,211.0       |                           | 501.67 \$ 5,016.67 \$     | 5,392.92 \$ 6,020.00       | 6,647.08 \$ 7,274.17 \$ 7,525.00       | \$ - \$ 4,515.00 \$      | \$ 12,040.00 \$ 19,565.00 \$ 27,090.00    | \$ 30,100.00 \$ 93,310.00     | 15% \$ - \$ 677.25         | \$ 1,806.00 \$ 2,934.75     | \$ 4,063.50 \$ 4,515.00     |
| Pyramid Café \$ 7,223.00 \$ 6,619.00 \$ 8,093.0               |                           | 731.17 \$ 7,311.67 \$     | 7,860.04 \$ 8,774.00       | 9,687.96 \$ 10,601.92 \$ 10,967.50     | \$ 0.00 \$ 6,580.50 \$   | 17,548.00 \$ 28,515.50 \$ 39,483.00       | \$ 43,870.00 \$ 135,997.00    | 10% \$ 0.00 \$ 658.05      | \$ 1,754.80 \$ 2,851.55     | \$ 3,948.30 \$ 4,387.00     |
| Jason's Place @ Courthouse \$ 3,350.00 \$ 4,985.00 \$ 3,500.0 |                           | 394.50 \$ 3,945.00 \$     | 4,240.88 \$ 4,734.00       | 5,227.13 \$ 5,720.25 \$ 5,917.50       | \$ - \$ 3,550.50 \$      | 9,468.00 \$ 15,385.50 \$ 21,303.00        | \$ 23,670.00 \$ 73,377.00     | 15% \$ - \$ 532.58         |                             | \$ 3,195.45 \$ 3,550.50     |
| Hoover Dam Gift Store \$ 23,263.00 \$ 29,142.00 \$ 40,852.0   |                           | 3108.57 \$ 31,085.67 \$   | 33,417.09 \$ 37,302.80     | 41,188.51 \$ 45,074.22 \$ 46,628.50    | \$(0.00) \$ 27,977.10 \$ | \$ 74,605.60 \$ 121,234.10 \$ 167,862.60  | \$ 186,514.00 \$ 578,193.40   | 50% \$ (0.00) \$ 13,988.55 | \$ 37,302.80 \$ 60,617.05   | \$ 83,931.30 \$ 93,257.00   |
| DMV Reno Coffee Bar \$ 3,035.00 \$ 3,035.00 \$ 1,600.0        | 0 \$ 2,556.67             | 255.67 \$ 2,556.67 \$     | 2,748.42 \$ 3,068.00       | 3,387.58 \$ 3,707.17 \$ 3,835.00       | \$ - \$ 2,301.00 \$      | 6,136.00 \$ 9,971.00 \$ 13,806.00         | \$ 15,340.00 \$ 47,554.00     | 1% \$ - \$ 23.01           | \$ 61.36 \$ 99.71           | \$ 138.06 \$ 153.40         |
| Reno City Hall Café \$ 1,470.00 \$ 1,470.00 \$ 1,470.0        |                           | 147.00 \$ 1,470.00 \$     | 1,580.25 \$ 1,764.00       | 1,947.75 \$ 2,131.50 \$ 2,205.00       |                          | \$ 3,528.00 \$ 5,733.00 \$ 7,938.00       | \$ 8,820.00 \$ 27,342.00      | 1% \$ - \$ 13.23           | \$ 35.28 \$ 57.33           | \$ 79.38 \$ 88.20           |
| NDOT MicroMarket \$ 465.00 \$ 355.00 \$ 535.0                 |                           | 45.17 \$ 451.67 \$        | 485.54 \$ 542.00           | 598.46 \$ 654.92 \$ 677.50             | \$ 0.00 \$ 406.50 \$     | 1,084.00 \$ 1,761.50 \$ 2,439.00          | \$ 2,710.00 \$ 8,401.00       | 5% \$ 0.00 \$ 20.33        | \$ 54.20 \$ 88.08           | \$ 121.95 \$ 135.50         |
| HPP Concessions \$ 1,530.00 \$ 1,540.00 \$ -                  | \$ 1,023.33               | 102.33 \$ 1,023.33 \$     | 1,100.08 \$ 1,228.00       |  |                          | \$ 2,456.00 \$ 3,991.00 \$ 5,526.00       | \$ 6,140.00 \$ 19,034.00      | 10% \$ 0.00 \$ 92.10       | \$ 245.60 \$ 399.10         | \$ 552.60 \$ 614.00         |
| Washoe County Café \$ 934.00 \$ 611.00 \$ 1,216.0             |                           | 92.03 \$ 920.33 \$        | 989.36 \$ 1,104.40         | 1,219.44 \$ 1,334.48 \$ 1,380.50       | \$ (0.00) \$ 828.30 \$   | \$ 2,208.80 \$ 3,589.30 \$ 4,969.80       | \$ 5,522.00 \$ 17,118.20      | 5% \$ (0.00) \$ 41.42      | \$ 110.44 \$ 179.47         | \$ 248.49 \$ 276.10         |
| Arizona Lookout Gifts \$ 6,231.00 \$ 6,088.00 \$ 9,324.0      |                           | 721.43 \$ 7,214.33 \$     | 7,755.41 \$ 8,657.20       | 9,558.99 \$ 10,460.78 \$ 10,821.50     | \$ - \$ 6,492.90 \$      | \$ 17,314.40 \$ 28,135.90 \$ 38,957.40    | \$ 43,286.00 \$ 134,186.60    | 50% \$ - \$ 3,246.45       | \$ 8,657.20 \$ 14,067.95    |                             |
| DMV Decatur Snacks \$ 5,988.00 \$ 4,310.00 \$ 5,116.0         |                           | 513.80 \$ 5,138.00 \$     | 5,523.35 \$ 6,165.60       | 6,807.85 \$ 7,450.10 \$ 7,707.00       | \$ - \$ 4,624.20 \$      | \$ 12,331.20 \$ 20,038.20 \$ 27,745.20    | \$ 30,828.00 \$ 95,566.80     | 20% \$ - \$ 924.84         | \$ 2,466.24 \$ 4,007.64     | \$ 5,549.04 \$ 6,165.60     |
| Bryan Bistro \$ 1,968.00 \$ 1,968.00 \$ 1,968.0               |                           | 196.80 \$ 1,968.00 \$     | 2,115.60 \$ 2,361.60       | 2,607.60 \$ 2,853.60 \$ 2,952.00       | \$ - \$ 1,771.20 \$      | \$ 4,723.20 \$ 7,675.20 \$ 10,627.20      | \$ 11,808.00 \$ 36,604.80     | 1% \$ - \$ 17.71           | \$ 47.23 \$ 76.75           | \$ 106.27 \$ 118.08         |
| Viva Vegas Vending \$ 1,200.00 \$ 1,200.00 \$ 1,200.00        |                           | 120.00 \$ 1,200.00 \$     | 1,290.00 \$ 1,440.00       | 1,590.00 \$ 1,740.00 \$ 1,800.00       | \$ - \$ 1,080.00 \$      | \$ 2,880.00 \$ 4,680.00 \$ 6,480.00       | \$ 7,200.00 \$ 22,320.00      | 10% \$ - \$ 108.00         | \$ 288.00 \$ 468.00         | \$ 648.00 \$ 720.00         |
| Sunny's Too Café \$ 1,440.00 \$ 1,440.00 \$ 2,300.0           |                           | 172.67 \$ 1,726.67 \$     | 1,856.17 \$ 2,072.00       | 2,287.83 \$ 2,503.67 \$ 2,590.00       | \$ 0.00 \$ 1,554.00 \$   | 4,144.00 \$ 6,734.00 \$ 9,324.00          | \$ 10,360.00 \$ 32,116.00     | 20% \$ 0.00 \$ 310.80      | \$ 828.80 \$ 1,346.80       | \$ 1,864.80 \$ 2,072.00     |
| DMV Flamingo Snacks \$ 4,937.00 \$ 5,723.00 \$ 6,043.0        |                           | 556.77 \$ 5,567.67 \$     | 5,985.24 \$ 6,681.20       |  |                          | \$ 13,362.40 \$ 21,713.90 \$ 30,065.40    | \$ 33,406.00 \$ 103,558.60    | 35% \$ (0.00) \$ 1,753.82  |                             | \$ 10,522.89 \$ 11,692.10   |
| Family Courts Café \$ 1,400.00 \$ 1,400.00 \$ 1,400.00        |                           | 140.00 \$ 1,400.00 \$     | 1,505.00 \$ 1,680.00       | 1,855.00 \$ 2,030.00 \$ 2,100.00       | \$ - \$ 1,260.00 \$      | \$ 3,360.00 \$ 5,460.00 \$ 7,560.00       | \$ 8,400.00 \$ 26,040.00      | 10% \$ - \$ 126.00         | \$ 336.00 \$ 546.00         | \$ 756.00 \$ 840.00         |
| Cacus Deli (LCB Café) \$ 2,150.00 \$ 1,911.00 \$ 2,113.0      |                           | 205.80 \$ 2,058.00 \$     | 2,212.35 \$ 2,469.60       | 2,726.85 \$ 2,984.10 \$ 3,087.00       | \$ - \$ 1,852.20 \$      | 4,939.20 \$ 8,026.20 \$ 11,113.20         | \$ 12,348.00 \$ 38,278.80     | 1% \$ - \$ 18.52           | \$ 49.39 \$ 80.26           | \$ 111.13 \$ 123.48         |
| M.L. Espresso Bar \$ 1,923.00 \$ 1,923.00 \$ 1,923.0          |                           | 192.30 \$ 1,923.00 \$     | 2,067.23 \$ 2,307.60       | 2,547.98 \$ 2,788.35 \$ 2,884.50       | \$ - \$ 1,730.70 \$      | 4,615.20 \$ 7,499.70 \$ 10,384.20         | \$ 11,538.00 \$ 35,767.80     | 1% \$ - \$ 17.31           | \$ 46.15 \$ 75.00           | \$ 103.84 \$ 115.38         |
| Aroma Café \$ 2,190.00 \$ 612.00 \$ 1,440.0                   |                           | 141.40 \$ 1,414.00 \$     | 1,520.05 \$ 1,696.80       | 1,873.55 \$ 2,050.30 \$ 2,121.00       | \$ - \$ 1,272.60 \$      | 3,393.60 \$ 5,514.60 \$ 7,635.60          | \$ 8,484.00 \$ 26,300.40      | 5% \$ - \$ 63.63           | \$ 169.68 \$ 275.73         | \$ 381.78 \$ 424.20         |
| TOTALS \$ 146,492.00 \$ 139,100.00 \$ 146,898.0               | 0 \$ 144,163.33 \$ 14     | 4,416.33 \$ 144,163.33 \$ | 154,975.58 \$ 172,996.00   | 191,016.42 \$ 209,036.83 \$ 216,245.00 | \$ 0.00 \$ 129,747.00 \$ | \$ 345,992.00 \$ 562,237.00 \$ 778,482.00 | \$ 864,980.00 \$ 2,681,438.00 |                            | \$ 151,249.48 \$ 245,780.41 | \$ 340,311.33 \$ 378,123.70 |
|   |                           |                           |                            |  |                          |   | Impact Per Bien               | na \$ 56,718.56            | \$ 397,029.89               | \$ 718,435.03               |